Monro Customer Retention and Revenue Improvement Project

Team 14: Dobby is Free
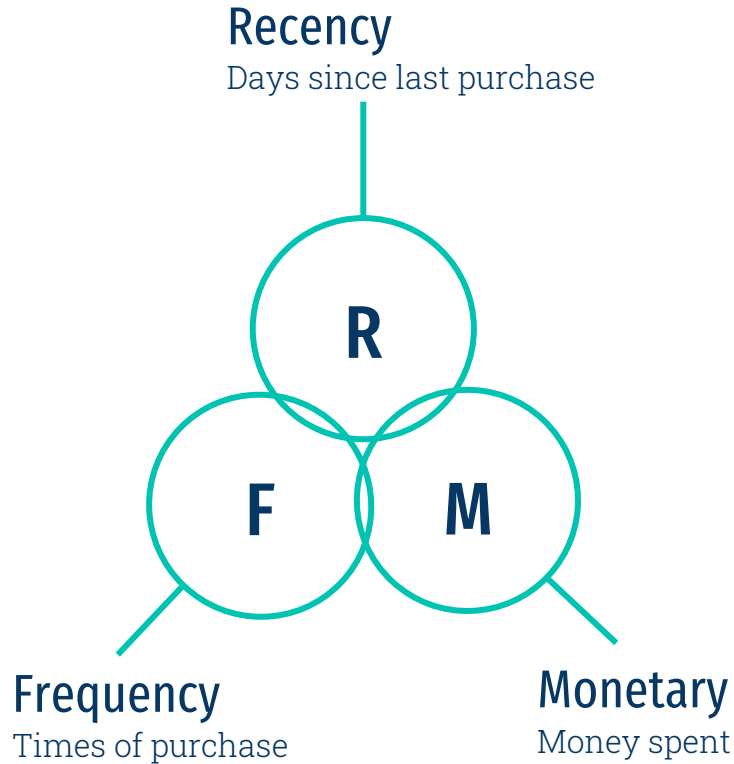
Yaqing Sun   **Xinwei Zhang**   **Zhiting Li**   **Khanyile Dlamini**   **Ziyi Sheng**

Customer Segmentation

01

Segmentation Based on RFM Model

Recency
Days since last purchase

R

F

M

Frequency
Times of purchase

Monetary
Money spent

Best Customers

28.5%

✓ Most recent shopper
✓ Most frequent visitor
✓ Heavy spender

26.60%   26.70%   25.90%   25.40%

2013-14   2015-16   2017-18   2019-now

New Customers

4.8%

✓ Most recent shopper
✓ Not frequent visitor
✓ Light spender

4.80%   4.90%   4.70%   4.90%
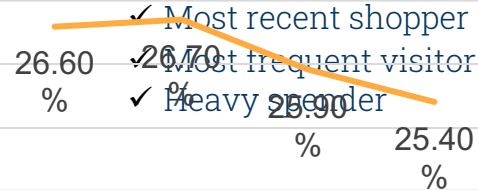
2013-14   2015-16   2017-18   2019-now

Potential Loyalists

20%

✓ Recent shopper
✓ Frequent visitor
✓ Spend good amount

20.40%   20.40%   20.90%   10.20%
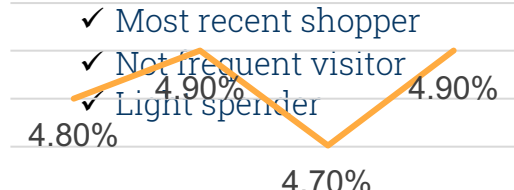
2013-14   2015-16   2017-18   2019-now

At Risk

13.3%

✓ No purchase recently
✓ Frequent visitor
✓ Spend good amount

9.60%   9.50%   9.20%   5.40%
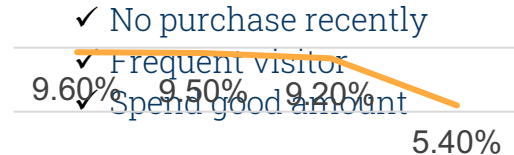
2013-14   2015-16   2017-18   2019-now

Segment Profile about Brand Preference, Car and Region

Best Customers

Mr.Tire fan

Luxury car owner

Potential Loyalists

Mr.Tire fan

Southern residents

New Customers

Monro fan

Regular car owner

At Risk

Monro fan

Northeastern residents

Old car owner

Purchase Pattern of Each Segment

02

'New Customer' Segment Shows a Distinct Purchase Pattern with Other Segments

Segment	Buy Most	Buy Least
At Risk	Other tire + oil change	Flush
Best Customer	Other tire + oil change	Flush
New Customer	Scheduled maintenance candidate	Flush
Potential Loyalist	Other tire + oil change	Flush

Other tire: Tire candidate exclude tire purchase

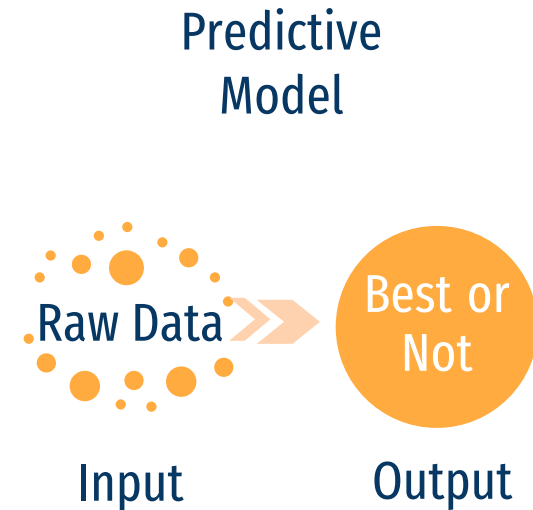# 'Scheduled Maintenance Candidate' Became Customers' Favorite Product in 2019
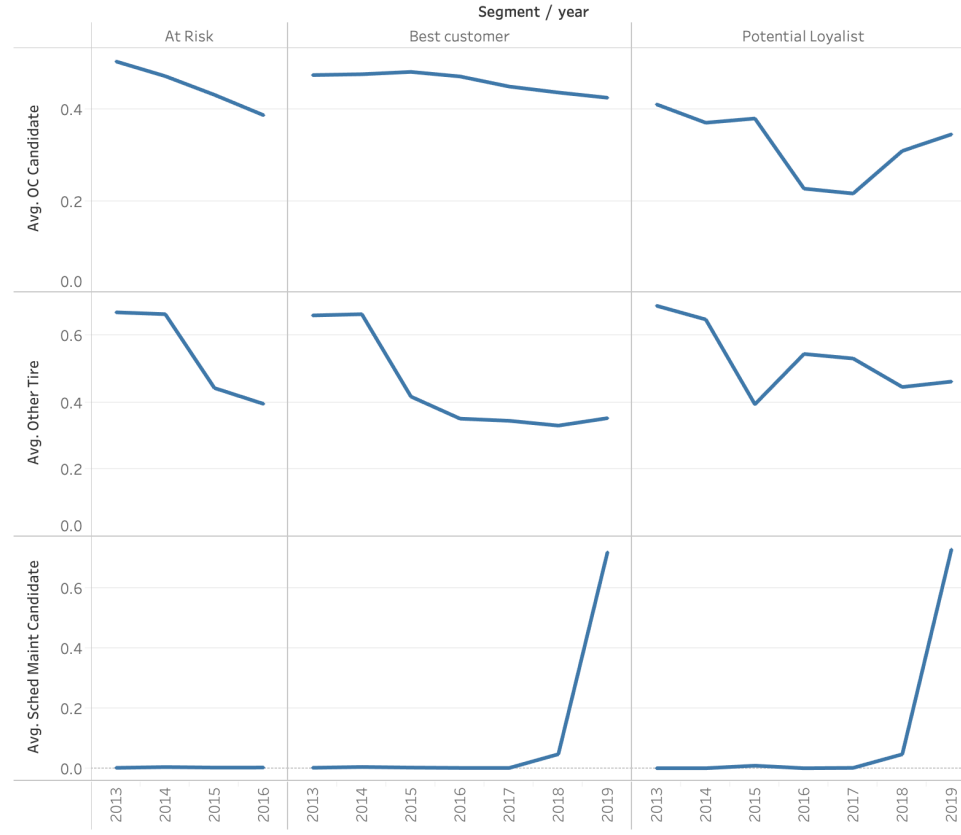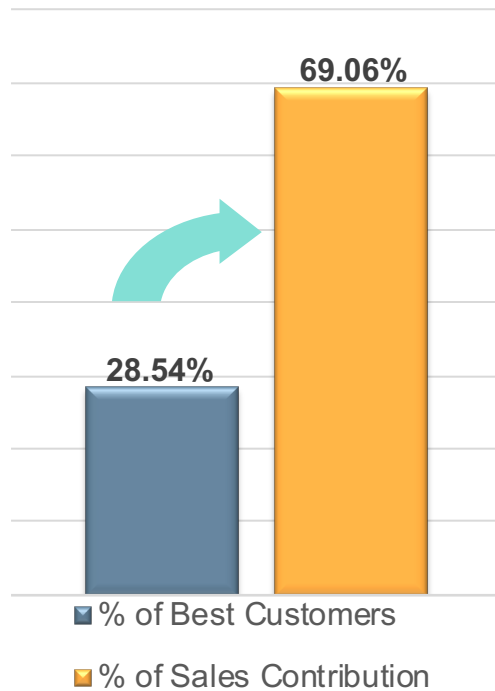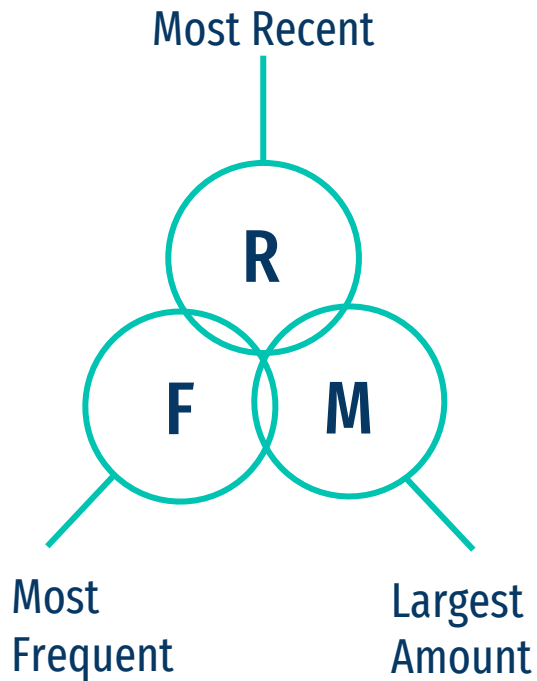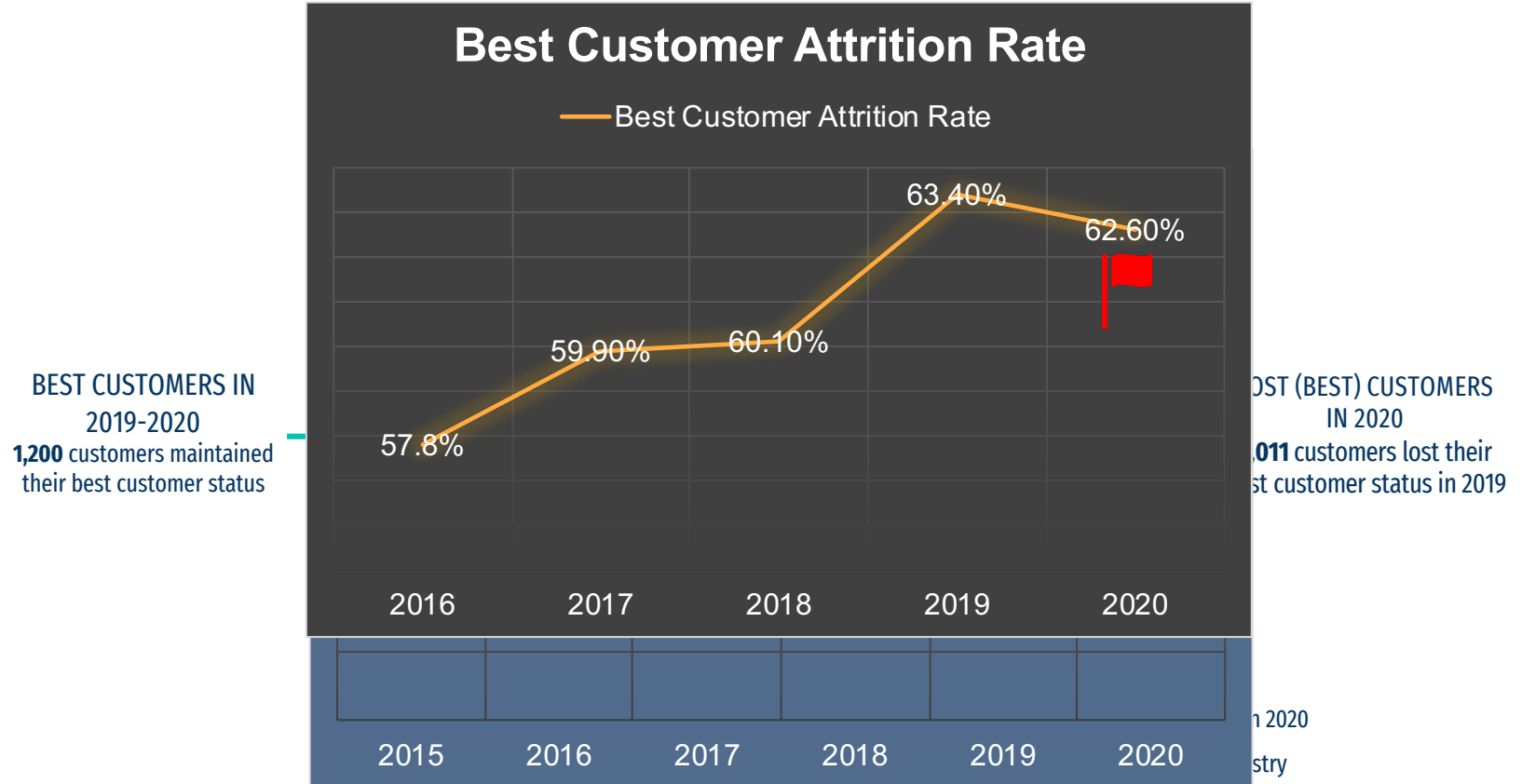
Prediction Model

03

Leverage Best Customers in Revenue Improvement

Most Recent

R

F   M

Most Frequent

Largest Amount

28.54%

69.06%

% of Best Customers

% of Sales Contribution

Predictive Model

Raw Data

Best or Not

Input

Output

Best Attrition Rate was Projected to Decrease in 2020

Best Customer Attrition Rate

—— Best Customer Attrition Rate

63.40%
62.60%
59.90%   60.10%
57.8%

2016   2017   2018   2019   2020

2015   2016   2017   2018   2019   2020

BEST CUSTOMERS IN
2019-2020
1,200 customers maintained
their best customer status

OST (BEST) CUSTOMERS
IN 2020
011 customers lost their
st customer status in 2019

n 2020
stry

Number Of Transactions Are The Most Important

Number of Transactions

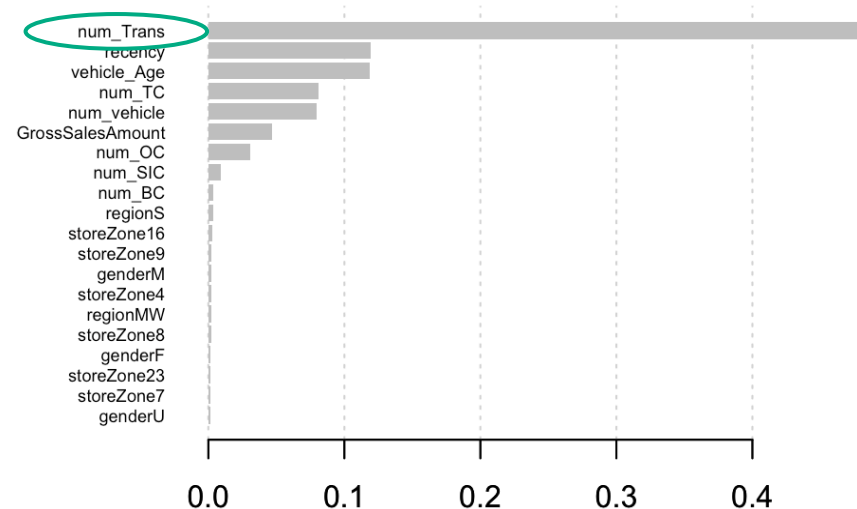Best customer in 2019-20 performed an average of **10** transactions

Vehicle Age

Majority of the vehicles have a **7-9** year age range

Number of Tire Candidate

Individuals purchase more tires and tire related products

Number of OC Candidate

Individuals purchase motor oil and other related products

Variable Importance Plot

Recommendations | 04

Extend Mr. Tire's Courtesy Services For Potential Loyalist

Potential Loyalist

MR.TIRE

Southern Residents`

Current Courtesy Offering :

- Alignment Check

- TPMS Check

- Tire Inspection & Rotation

+

AUTO MAINTENANCE

FREE*

CONVENTIONAL OIL

Join Monro Loyalty Program

Exclusive offers, personalized for each segment

Create account for each customer

Sign up

Track down every purchase and help customers accumulate credits

Collect credits

Convert credits into rewards

Get rewards

Join Monro Loyalty Program

Exclusive offers, personalized for each segment

For 'best customer' : ★   **Tire purchase**

                    ★   **Oil change + other tire**

                    ★   **Scheduled Maintenance**

Gross sales	Rewards
125 – 400	Oil change
400 – 800	Oil change / Scheduled maintenance
800 – 1800	Oil change / Scheduled maintenance / Other tire
> 1800	Tire purchase / Oil change / Scheduled maintenance / Other tire

* Other tire: Tire candidate exclude tire purchase

To recap

Definition and characteristics of each segment

Purchase patterns based on four customer segments

Model to successfully predict whether a customer will be best customer

Two recommendations to increase revenue and attract customers

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